

Message Text

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73

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 PRS-01 SPC-03 FEA-02 OMB-01 IO-14

SSO-00 NSCE-00 USIE-00 INRE-00 DRC-01 /172 W

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O R 252019Z MAR 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC IMMEDIATE 6645

INFO AMEMBASSY BOGOTA

AMEMBASSY BRAZILIA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

LIMITED OFFICIAL USE TEGUCIGALPA 1251

E.O. 11652: N/A

TAGS: ETRD, PFOR, XK

SUBJECT: BANANAS: STANDARD FRUIT

REF: TEGUCIGALPA 1168

SUMMARY: PRESIDENT OF STANDARD FRUIT D.J. KIRCHHOFF,
VP C.M. WAITE AND OTHERS HAD INTERVIEW WITH MINECON
BENNATON MARCH 22. COMPANY PRESENTED POSITION AND
BONNATON RESPONDED WITH REITERATION IRREVERSIBLE DECISION
TO APPLY TAX. MEETING AMIABLE BUT NOT DECISIVE. CHIEF
OF STATE LOPEZ NOT AVAILABLE FOR INTERVIEW BY STANDARD
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FRUIT. END SUMMARY.

1. FOLLOWING MARCH 22 MEETING WITH BENNATON KIRCHHOFF, WAITE, LOCAL MANAGER ROTOLO AND OTHER STANDARD FRUIT OFFICIALS MET AT DCM'S HOUSE. INTERVIEW WITH BENNATON CHARACTERIZED AS USEFUL ACCORDING TO KIRCHHOFF WHO STATED PROPOSAL OF STANDARD FRUIT VISIT TO PRESENT ITS POSITION. HE STATED MEETINGS COULD NOT BE CHARACTERIZED AS NEGOTIATIONS IN THAT NO FLEXIBILITY DEMONSTRATED BY COUNTRIES TO DATE.

2. KIRCHHOFF PRESENTED STANDARD FRUIT ANALYSIS SHOWING CONTENTION THAT TAX WILL SERIOUSLY DISADVANTAGE HONDURAS. REITERATED COMPANY INTENTION THAT WHEN TAX IS APPLIED STANDARD WILL CEASE SHIPMENTS HERE.

3. BENNATON RESPONDED THAT DECISION TO APPLY TAX IS IRREVERSIBLE BUT ADDED THAT GOH POSITON IS TO SEARCH FOR THE BEST ADJUSTMENT TO THE INTERESTS OF ALL PARTIES. FOLLOWING MEETING BENNATON STATED TO PRESS THAT BANANA PRODUCTION IS NECESSARY AND THE COMPANIES NEED A GOOD RATE OF RETURN.

4. KIRCHHOFF BELIEVES BENNATON CAPABLE AND FULLY AWARE OF STANDARD FRUIT POSITON AND IMPORTANCE GIVEN BY COMPANY TO ITS ANALYSIS. HE STATED BENNATON BELIEVES THAT \$1 BOX PRICE RISE FROM PRESENT \$1.65 FOB WOULD CAUSE ONLY 10 TO 12 PERCENT DROP IN SALES IN U.S. MARKET AND THAT THIS WOULD BE REGAINED IN TWO OR THREE MONTHS. KIRCHHOFF SAID THAT IF BENNATON'S FIGURES WERE CORRECT THERE WOULD BE NO DOUBT OF THE WISDOM OF THE EFFORT BEING MADE BY THE BANANA EXPORTING COUNTRIES. HOWEVER, STANDARD FRUIT ANALYSIS DRASTICALLY DIFFERENT.

5. IF STANDARD FRUIT CEASES SHIPMENT FROM HONDURAS IT WILL SUPPLY ITS MARKET FROM ECUADOR. ONE DOLLAR EXPORT TAX WOULD PLACE COMPANY IN LOSS POSITION IN HONDURAS. HIS EXPECTATION IS THAT ECUADOR WILL NOT APPLY FULL \$1 TAX, IF ANY TAX AT ALL. KIRCHHOFF STATED COMPANY ANALYSIS SHOWS U.S. MARKET WILL FALL BY ALMOST 50 PERCENT IN VOLUME IF \$1 TAX UNIVERSALLY APPLIED.
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CHIEF OF STATE LOPEZ WAS OUT OF TOWN AND UNAVAILABLE FOR INTERVIEW WITH KIRCHHOFF, ALTHOUGH EMBASSY TRIED TO ARRANGE IT.

7. COMMENT: COMPANY INTERVIEW WITH BENNATON AMIABLE AND PRODUCTIVE IN SENSE THAT COMMUNICATIONS CLEARLY EXCELLENT BETWEEN THE TWO PARTIES. THIS IS NOT TO SAY THAT BENNATON,

WHO SHOULD NOW FULLY UNDERSTAND COMPANY ATTITUDE, IS IN
POSITION TO ALTER EXPORTING COUNTRY AGREEMENT. WHILE IT IS
CLEAR THAT STANDARD FRUIT WILL NEGOTIATE ITS ATTITUDE ON
CEASING SHIPMENT WHEN TAX APPLIED, CONDITIONS FOR NEGOTIATION,
I.E., FLEXIBILITY ON PART OF GOH, WERE NOT EVIDENT
IN BENNATON'S RESPONSE.
SANCHEZ

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